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PHILIP MORRIS USA

File *Price*  
1993 Price Decrease

INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Field Sales Force  
FROM: Mike Szymanczyk  
SUBJECT: Price Action

DATE: July 20, 1993

Today, we are announcing one of the most significant marketing events in our company's history. Our action is designed to address the intense price competition in the domestic market, and the viability of our flagship trademarks, by reducing the price differential between Premium and Deep Discount brands.

In the attached, you will find complete information relative to our pricing actions, and our plan to expedite the reflection of our new list prices at wholesale and retail by August 9, 1993. Changes in our prices follow:

- List prices for Marlboro, Merit, Benson and Hedges, Virginia Slims, Parliament, and other select Premium brands will be reduced by \$19.65/M, or \$3.93/Carton. Our new list prices for Premium Brands will be the same as the current list prices of Branded Discount Products such as Cambridge and Alpine.
- List prices for Cambridge, Alpine, Bucks, and Bristol will be reduced by \$13.25/M, or \$2.65/Carton. Our Branded Discount cigarettes will then be priced comparably with the current prices of Deep Discount cigarettes in the marketplace.
- List prices on Basic and Famous Value Brands will be restructured.

These pricing actions effectively create two pricing tiers for our products, Premium and Discount.

The announcement of this program necessitates several Field Sales Force actions to be simultaneously executed within a short-time frame. These actions include the following:

- 100% coverage of workload accounts and management accounts to communicate our program during the period July 22, 1993 through August 6, 1993.
- Physical inventories at all direct accounts and wholesale clubs to be completed on August 6, 1993.
- Execution of a retail program designed to support our new lower prices beginning August 9, 1993.

Our commitment is to grow market share and long term profits and cash flow. **In order for our program to be successful, the reduction in our prices must reach the consumer in as many retail outlets as possible, and as soon as possible. Your objective is to sell the benefits of our program to all accounts in your workload.**

Please work with your section teams to ensure that all elements of our new program as contained in the attached materials are executed as completely and quickly as possible.

Good Luck and Good Selling!

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